

Partner Lisa Lennon
Contact Lauren Eade
T +61 2 9263 4369
leade@gtlaw.com.au
Our ref LML:LFE



LAWYERS

Sydney

2 Park Street Sydney NSW 2000 Australia
GPO Box 3810 Sydney NSW 2001

www.gtlaw.com.au

14 December 2015

By email

Intellectual Property Arrangements Inquiry
Productivity Commission
Email: intellectual.property@pc.gov.au

Dear Commissioners

Submission to the Productivity Commission in response to the Inquiry into Intellectual Property Arrangements

Thank you for the opportunity to make this submission in response to the Inquiry into Intellectual Property Arrangements. This submission covers intellectual property protection issues in relation to trade marks, designs and international treaty obligations.

1 Trade Marks

1.1 Initial Comments

There are generally always alternatives available when selecting new brands so trade marks themselves are not an inherently anti-competitive form of IP right. If a sign has become synonymous with goods or services, then the sign would be regarded as descriptive, incapable of distinguishing one trader's goods/services from those of another and therefore not registrable as a trade mark. These types of signs are generally available for all traders to use on their similar goods and services including as a result of initial registrability tests under section 41 of the *Trade Marks Act 1995 (TMA)* and on the basis of defences under section 122.

There are of course degrees of distinctiveness attributable to different trade marks, and the strength of exclusive rights in trade marks varies. It is widely recognised that there is a sliding scale of registrability and strength of rights in relation to trade marks.¹ The scale ranges from (i) trade marks with a very low level of distinctiveness and weak rights such as those comprising descriptive words or elements that are only registrable through long use or with the addition of other distinctive elements such as logos through to (ii) trade marks that enjoy a high level of distinctiveness and strong rights such as original marks or those which bear no relationship to the goods or services to which they are applied. There is a vast body of case law that has developed around trade mark rights dealing with both registrability and the scope of monopoly conferred on different types of trade marks. These legal rights do not differ from any other rights in requiring court or administrative review in the event of grey areas or disputes.

1.2 Colour trade marks

There is a suggestion in the Issues Paper that attempts to register colour marks are 'pushing the boundaries' and make it difficult for new and existing businesses to secure their branding and reputation, therefore leading to a reduction in competition. This statement misunderstands the difficulty

¹ See, for example, *Global Brand Marketing Inc v YD Pty Ltd* (2008) 76 IPR 161, [62]-[64].

in obtaining a colour trade mark registration. The trade mark owners that have secured colour registrations have been required to prove that they are both using the colour as a trade mark (which does not automatically follow from use of a colour as part of their branding)² and that consumers identify that particular owner as the source of goods or services sold under that colour. This generally requires decades of significant and sustained and broad use in the marketplace to show distinctiveness in fact. Colour marks are therefore both difficult and expensive to obtain. Most traders using colours will not be able to register those marks as trade marks. Australia is required under Article 15 of the TRIPS agreement to permit registration of combinations of colours in particular, as well as any sign otherwise capable of distinguishing goods/services, which encompasses a single colour that is distinctive in fact.

Colour is of course a powerful signifier, particularly in the digital space where we are experiencing smaller screen displays where the ability of traders to signify trade source quickly and easily is very valuable. It is interesting that new entrants to the market consistently and repeatedly try and obtain benefits from the use and reputation of existing traders and businesses by copying their corporate livery or brand presentation. In any event, the basic requirement of trade mark infringement under section 120 of the TMA is use as a trade mark. Most uses of colours are unlikely to qualify as infringing trade mark use, particularly where they are used in association with other word or device marks. The current system works well in that obtaining and enforcing exclusive rights in a single colour is extremely difficult. There have been no decided cases concerning infringement of a single colour trade mark registration in Australia. Courts have also traditionally been reluctant to find infringement of trade marks where colour is only one of the features of more complex trade marks.³ We submit there are enough protections built into the current system to protect new entrants to the market place who are searching for colour combinations that are available to use and that do not infringe existing rights.

1.3 *Is the cost of preparing an objection to registration or defending a trade mark infringement action reasonable?*

Under the Raising the Bar reforms, the trade mark opposition process was amended and abbreviated to limit the time taken to resolve objections to registration by reducing the initial opposition period from 3 months to 2 (for the filing of the initial notice of intention to oppose, requiring opponents to specify the grounds of opposition upfront in the statement of grounds and particulars, requiring applicants to indicate early in the proceedings that the opposition would be defended, substantially limiting the ability of parties to extend the timeframes for filing evidence and requiring the parties to lodge written submissions prior to hearing. In an ordinary case, the active phase of an opposition (following the filing of the notice of intention to oppose and including all evidence phases) apart from the hearing is now 10 months.

Whilst these reforms are generally working well to expedite the opposition process at the front end, there are still extensive delays in having matters heard at IP Australia. Waiting times for a hearing frequently exceed 9 months from the conclusion of the evidence phase. There has also been no significant impact on the cost to users of the opposition process apart from reducing extension of time costs. In fact these costs have arguably increased with the need to file formal submissions prior to hearing now formalised (whereas this requirement was previously applied on an informal basis), and for parties to fly to Canberra to have matters heard as Sydney and Melbourne hearings were ceased in November 2015.

² *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97; *Darrell Lea Chocolate Shops Pty Ltd v Cadbury Ltd* (2006) 69 IPR 386; *Mars Australia Pty Ltd (formerly called Effem Foods Pty Ltd) (ACN 008 454 313) v Société des Produits Nestlé SA* (2010) 86 IPR 581.

³ See, for example, *Mars Australia Pty Ltd v Sweet Rewards Pty Ltd* (2009) 84 IPR 12, [25]-[28].

Trade mark infringement proceeds are now able to be heard in the Federal Magistrate's Court (**FMC**) in addition to the Federal Court (**FCA**). Whilst this reform was aimed at making it more cost effective for a trade mark owner to enforce their trade mark rights, it is not clear how many cases are being filed in the FMC as opposed to the FCA given the general concern around the limited experience of FMC magistrates in trade mark law and the fact that there is also a more limited recovery of costs in the FMC.

We submit that if this alternative enforcement route is to be properly utilised, there needs to be an upskilling of magistrates to deal with the specialised subject matter or the appointment of practitioners already skilled in the area to hear, similar to the specialised roster of judges in the FCA and the specialised Patent Court in the UK.⁴ The rules covering the recovery of costs in the FMC also need to be amended to make it clear that the parties can recover costs on a similar scale to those available under the Federal Court Rules.

1.4 How could the system for registering and using trade marks be improved?

Uncertainty around the registrability of, or inconsistency in the grant of, trade mark rights and delays in securing rights where registration is contested, increase the costs to users of the system, impact the value of these rights and have a negative impact on competition which thrives in a certain market.

Currently there are:

- structural difficulties in the ability of trade mark owners to secure trade mark rights through registration. There appears to be a high turnover of examiners at IP Australia with a consequent lack of expertise amongst newer examiners who tend to raise more objections to registration particularly on distinctiveness grounds. Generally, in our experience, there remains an inherent bias against granting registration rather than the reverse as required under the presumption of registrability.⁵ Examiners are now increasingly unwilling to discuss application files on an informal basis rather than through written responses uploaded through eServices, which both increases the legal costs associated with preparing examination responses and also the time taken to secure an indication that an Examiner is prepared to accept a given course of action as sufficient to overcome an objection to registration; and
- delays in resolving disputes between trade mark owners particularly at the administrative level. The Raising the Bar changes were introduced to expedite the opposition process. Whilst there have been improvements in the expedition of proceedings at the front end (commencing opposition, lodging evidence) there are now significant delays in matters being heard and limited options for parties to have the matters heard in a convenient location, particularly due to the lack of suitably qualified hearings officers at IPA. Anecdotally, we understand IPA currently receives substantially more hearing requests per month than it is capable of hearing in a particular month, with the result that timeframes for hearings are predictably blowing out across the board.

The current system could be improved by:

- (a) procedural reform

⁴ See for example: <http://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> – IPI Review of Specialised IP courts –noting the advantages of same and including a short summary of the specialisation of courts in Australia. This study predates the expanded jurisdiction of the FMC to hear trade mark Infringement matters.

⁵ *Trade Marks Act 1995* (Cth) s 33.

The trade mark system is increasingly global⁶ and online so that local objections at IP Australia to the registrability of marks on the basis of the frequency of local surnames⁷ on the electoral roll or geographic placenames are increasingly irrelevant. We suggest IP Australia amends and updates its practices to reflect changes to the trading environment.

(b) increasing funding to IP Australia to:

- improve the search functionality of ATMOSS to allow users to easily identify conflicting rights and to improve the search functionality in relation to endorsements;⁸
- train and improve the consistency of examination of trade mark applications, and provide sufficient staffing of the examination section so that examiners are willing and able to engage in informal discussions around registrability options with applicants and/or their legal advisors, which substantially streamlines the examination process;
- properly resource the hearings section so oppositions can be heard in a timely manner by suitably qualified and experienced hearings officers;
- offer a range of hearing options including offering set hearing sessions in other capital cities (apart from Canberra), including in Sydney and Melbourne as was the case prior to November 2015; and
- look at technology innovation in the hearing of matters by expanding the range of options available for hearing matters remotely including online document sharing during hearings.

2 Designs

2.1 Initial comments

Firstly, while design registrations are simple to obtain, the need to secure them is very poorly understood even by sophisticated businesses, as is apparent from the relative dearth of design registrations as compared to trade mark and patent registrations. Because of the copyright/design overlap provisions, the net result is that many designers are without protection for their designs, and it is our experience that most designers only commence registering designs (if at all) after a usually costly experience of third party copying of an unprotected design which the designer is powerless to prevent under Australian law. This is despite extensive efforts by IP Australia, design industry bodies and law firms to educate the marketplace on the need for design protection. This is clear evidence that the design protection system in Australia is poorly understood and utilised, and reform is urgently required.

⁶ For example, the ability of trade mark owners to register their trade marks “internationally” under the Madrid Protocol/Agreement.

⁷ Trade Marks Office Manual of Practice and Procedure Part 22, section 16.

⁸ For example, it is not currently possible to search on endorsements against trade mark registrations which give guidance around the scope of monopoly enjoyed by the trade mark owner, such as by indicating the trade mark was registered on the basis of use and reputation (s41(3)/(4) TMA), honest concurrent use (s44(3)(a) TMA), special circumstance or consent (s44(3)(b)) TMA or prior continuous use (s44(4) TMA), or to identify foreign language marks which are identified as translations or transliterations of English search terms (by contrast, IPONZ’s search facility identifies translated and transliterated results for given English language search terms without additional user input).

Secondly, whilst we understand that the Productivity Commission's review is in part focused on the needs of Australian design industries and how design law can benefit Australian designers, this should not be permitted to limit the scope of its review. It is our experience that overseas designers are often more disadvantaged by the peculiarities of Australian design law than Australian designers, who at least have some potential exposure to the educational efforts of IP Australia and other local bodies. Australia has long been known to be a net importer of intellectual property rights, and this includes designs. The interests of international designers are as relevant to the Productivity Commission's review as those of local designers. As ACIP has previously noted, there is a substantially higher number of local design applicants than overseas applicants. That is not true of other forms of IP registration. Given the lack of protection for unregistered designs in Australia, this in itself indicates a very significant protection gap which should be addressed. International designers should not be treated as any less important than international inventors and trade mark owners, nor is there any economic justification for doing so.

Finally, over the years in which copyright protection has been expanded to cover new rights and increased to the life of the author + 70 years, patents have been made ever more robust, and the subject matter for trade marks has been dramatically expanded, design protection has been curtailed. Registration periods have been shortened. The copyright/design overlap (which is now relatively unique on the international stage) has been continually refined and expanded, and now involves highly esoteric distinctions, for example between embossed/stitched works and two-dimensional prints. These are largely incomprehensible even to skilled practitioners in the field, let alone designers operating without legal advice. Despite the economic significance of industrial design, design registrations are severely outnumbered by patent and trade mark registrations, which reflects both a lack of understanding of the need for design protection, particularly for overseas designers who represent a smaller percentage of design applicants than for other IP rights, and the lack of value placed on design registrations in Australia.

It is imperative that efforts be made to improve the utility and efficiency of the design protection scheme in Australia, including the effective utilisation of existing design protection options. Ideally, the existing protections should be substantially strengthened. Many other comparable countries providing substantially greater protection for unregistered designs (including the EU unregistered design right, which is discussed in further detail below, and New Zealand's 16 year copyright protection for industrially applied works) have not suffered any apparent disadvantage by doing so. It is submitted that the primary economic benefit from design copying is to the copier and to manufacturers of copies, and most of the facilities producing design copies are known not to be located in Australia.

In short, no review can proceed from the point of view that only Australian interests are at stake or that the current system is functioning adequately. As the previous ACIP Review of the Designs System partly deferred its findings to the work of the Productivity Commission (ACIP Final Report, March 2015 – see page 42), this is a critical matter to be addressed.

2.2 Commission's queries

- (a) What role do design rights play in fostering innovation? To what extent do design rights encourage additional innovation?

Registered design rights foster innovation without substantial cost to the economy as they reward substantial innovation (development of new and distinctive designs) by providing a relatively circumscribed and short term monopoly. Shorter term unregistered rights such as the UK/EU unregistered design rights may provide more appropriate protection for the products of the seasonal design industries as opposed to more substantial or longer term products, as the rights afforded are

more limited in duration, corresponding to the likely viable timeframe of the design product. That said, other forms of IP law offer vastly longer protection periods for products which are not intended for long term use, such as copyright protection for software or 10 year trade mark registration periods for all marks including those intended for transient use. As the maximum period of design registration is 10 years (including an initial 5 year registration period and one 5 year renewal period) this is not a serious concern.

- (b) Are there continuing issues with the overlap between design rights and copyright or other forms of protection?

There are serious continuing issues with the copyright/design overlap which limits the protection available to designs to that available under the Designs Act and requires application for protection prior to industrial application, failing which copyright protection is extinguished and design registration is unavailable. The copyright/design overlap is notoriously poorly understood. That much is amply demonstrated by the long line of cases attempting unsuccessfully to establish that the work in question was a work of artistic craftsmanship, to avoid the operation of the overlap provisions.⁹

It is submitted that this is for several reasons, including:

- the copyright/design overlap is unique on the international stage. It is not reflected in the laws of any major trading partner. In our experience, most overseas designers do not appreciate the impact of the overlap or the fact that in the absence of an unregistered design right and a grace period for pre-filing disclosure (see below), they are effectively without remedy in Australia once their design is industrially applied or disclosed;
- while the initial rational justification for introducing the law, including to avoid the kind of “implied licence to repair” legal contortions exemplified by *British Leyland Motor Corp Ltd v Armstrong Patents Co Ltd* [1986] R.P.C. 279, and to compensate for the difficulties presented by a relatively low threshold of originality which otherwise captured industrial articles as “artistic works” subject to copyright protection, the impact of the copyright/design overlap obviously extends far beyond spare parts and into every possible field of design endeavour (including, for example, furniture and fashion design);
- artificial distinctions abound in the copyright design overlap. For example, the overlap now involves distinctions between works which cannot be understood or rationally supported. By way of example, an action for copyright infringement can be brought in relation to the copying of a printed surface design, even once industrially applied. Conversely, an action cannot be brought for copyright infringement in relation to a stitched or woven pattern or other “relief” design, because section 74 of the *Copyright Act* incorporates designs “woven into, impressed on or worked into the product” into the definition of corresponding design. As far as the average consumer or even designer is concerned, however, both two dimensional prints and stitched or jacquard or woven designs are not appreciably different; they are all surface patterning. The fact that this distinction has had to be imported into the copyright/design overlap to preserve its function itself reflects the difficulty with the overlap provisions.

It has certainly been the position of successive governments of “limiting the protection offered by copyright for artistic works embodied in mass-produced products”, as ACIP’s previous review noted. However, given the absence of similar provisions overseas, the rationale behind this is open to question, particularly as other countries do not appear to have suffered undue economic detriment by

⁹ See, for example, *Cuisenaire v Reed* [1963] VR 719; *Sheldon v Metrokane* (2004) 61 IPR 1; *Burge v Swarbrick* (2007) 232 CLR 336.

providing at least some protection for industrially applied works. As overseas examples make clear, there are in any case other means of catering for the kinds of difficulties the overlap is designed to prevent, without exposing designers to a wholesale deprivation of protection. These include (if the overlap is to be retained) providing a limited term unregistered design right as discussed below, or (substantially modifying the overlap provisions) a limited term copyright for sufficiently original industrially applied designs, as in New Zealand, or even (as in some European countries including France) a higher threshold of copyright protection.

- (c) Are the protections afforded under design rights proportional to the efforts of innovators? Is the design rights system cost effective for users?

The design registration system is not a cost effective or even well-understood option for users.

(i) Duration

Our clients are primarily engaged in design fields where designs are unlikely to have a commercially useful life of longer than 10 years and might not warrant the payment of renewal fees for the second 5 year period. We find that many of our clients do not renew designs after the first five year period, and that renewal provides a useful opportunity for culling underperforming or abandoned designs from a portfolio and managing costs. Conversely, while there is virtually epidemic copying of “blockbuster” designs (such as the Eames chair), these are unique examples and it does not appear possible to cater for protection of these under designs law renewal periods.

(ii) Grace period

We note ACIP has proposed the introduction of a grace period. This is an urgent requirement. It is Gilbert + Tobin’s experience that both Australian and international designers (particularly international designers from jurisdictions with a grace period or unregistered design protection) are not familiar with the absolute requirements for secrecy of a design before filing a design application in Australia. On numerous occasions, clients have requested advice in relation to design protection mere days or weeks after commercialising a design, when it is already too late to file a valid design application in the absence of a grace period. In some cases, this has included designers who intend to rely on an overseas design application for Paris Convention priority, but where the overseas application was anticipated by exposure of the design pursuant to a grace period, which exposes international applicants filing in Australia to substantial prejudice and also interferes with the proper and intended function of Convention priority applications. Adding a grace period to Australian law would significantly improve the position of Australian and international designers in this regard. To the extent that there is a risk that such design owners would lose the right to protect their design in other foreign markets as a result of the prior disclosure, they would be compensated by the ability to protect their design in Australia at all (since in the absence of a grace period, many Australian designers disclosing their design prior to filing lose the option of securing Australian design protection altogether). A limited grace period would also enable designers to engage in some degree of testing the market prior to deciding whether or not to incur the expenses associated with registering a design. Designers who are interested in overseas markets are generally able to access appropriate legal advice in any event, and would not be under any obligation to utilise the grace period if they wished to file Convention priority applications in overseas markets lacking grace periods.

Several of our clients have previously been substantially disadvantaged as a result of the inconsistency of Australian law specifically with US law in relation to grace periods, rather than in relation to other non-grace period countries. US law provides for a substantial grace period of 1 year prior to the filing date of a design patent application. Because US companies are not often familiar with the lack of grace periods in other overseas jurisdictions, they are not aware of the dangers

associated with commercialising a design prior to filing an application, or the potential effect of such prior disclosure on later Convention priority applications filed in other countries. Because of this, both US companies and Australian companies claiming rights from these countries have in our experience effectively been put in a position of being unable to file a valid Australian application due to a prior disclosure of a design in the US within the US grace period, which has no bearing on the validity of the US application. This hampers the filing of Convention priority applications and there does not appear to be any means of addressing this, other than:

- either allowing a grace period in Australia; or
- recognising overseas grace periods in the Convention priority context, which while permitted favourable treatment under TRIPS would appear to be unduly unfair to local applicants.

Gilbert + Tobin believes that the absence of a grace period in Australian law is the major factor preventing Australian designers from protecting their valuable intellectual property rights. The absence of a grace period has also been one of the main factors responsible for the repeated attempts of Australian traders to use legislation such as the *Copyright Act 1968* or the *Australian Consumer Law 2010* to protect designs from copying, when such laws are manifestly not suitable for that purpose as many cases amply demonstrate. Gilbert + Tobin believes that if a six month or one year grace period is introduced as contemplated in the draft text of the Designs Law Treaty currently before WIPO's Standing Committee on Law of Trademarks (SCT), design laws will have far greater utility to both Australian and international designers.

ALRC Report 74 concluded that a manufacturer's need to test the local market with new designs could be met with multiple designs under a single application, which allows six months in which to pay the additional application fees, rather than a grace period. We do not think multi-design applications have solved the problems presented by the lack of a grace period. This is firstly because Report 74's conclusion appears to assume that designers understand the need to file design applications in the first place, which is not correct in our experience, nor has this changed appreciably between the 1906 and 2003 Acts. Secondly, Report 74 appears to assume that the point of a grace period for designs is to permit market testing. However, in our experience designers need a grace period not to test the market but:

- to permit corrective registration where the need for registration has not been understood, or
- where the local application claims priority from a country in which a design has been exposed pre-filing pursuant to a grace period, to maintain validity of the resulting design registration.

Finally, even assuming the primary benefit of a grace period is permitting market testing, Report 74's conclusion also makes certain assumptions about the nature of design activity and copying in the marketplace which may need further consideration. Designers may have a large portfolio of designs which they may consider protecting. In deciding whether to protect a design, the designer must not only determine which designs are likely to be good sellers, but also which are most likely to be copied. Six months may be adequate to test a design in the marketplace, or it may not, depending on the nature of the product, the nature of the industry, the expected lifespan of the product, economic conditions such as consumer confidence, and how early the designer commences promoting, as opposed to offering, the product for sale. However, since copiers also wait for a product to become successful before determining which to copy, and copying involves a further lag time, six months may not be sufficient to reach an informed view on that point, particularly for non-seasonal designs, which represent a substantial percentage of the designs in the marketplace. Additionally, the fact that many registered designs are never certified reflects lack of efficient utilisation of the existing design

protection system, and suggests enforcement costs may be prohibitive for many designers, as in many cases registered designs are not certified until they are infringed.

(iii) Need for short term unregistered design right

Gilbert + Tobin believes there is a serious gap in protection for designers who are either not aware of the need to register designs to secure protection under Australian law (particularly as the copyright/design overlap is a unique feature of Australian law and not well understood) or who produce volumes of designs in seasonal industries where separate design registration for each would be prohibitively expensive. This gap could be readily addressed by implementing a short form unregistered design right.

When the Australian Government decided not to introduce an unregistered designs regime in 2003, this was a decision not to abandon the existing registered design system in favour of an unregistered design right.¹⁰ Neither the Government nor the ALRC separately considered the merits of having two concurrent regimes, which may be drawn on by designers in different industries according to their situation and requirements.

In our view, an unregistered design right should be introduced in Australia to support the existing registered designs regime. The design industries invest different amounts of creativity and resources in a wide range of designs, which have varying degrees of longevity. Designers and companies that make a significant investment in an original design for a new product, which they know at the time will be a lasting commercial success, may be adequately protected by the registered designs regime (provided that they have sufficient knowledge of the law and the foresight and financial resources to seek a design registration, which is far from common). Even so, the registered owner cannot commence proceedings for infringement until the design has been certified and enforcement may therefore be delayed if copies reach the market before this occurs.

Many other designers who sell products in Australia, however, will never be adequately protected by the registered designs system. In particular, it is clear from a consideration of the statistics on design registrations that only a small minority of new designs are being registered. We submit that one important reason for this is that even those designers that are aware of their rights are unwilling to be put to the expense and inconvenience of registration when it is difficult to know in advance which products will be successful in the long term and will therefore merit an application to IP Australia, and indeed which of those designs are likely to be copied by third parties (since this is primarily a risk for very successful designs). The process is also inappropriate for many designs in sectors where products have limited longevity: by the time a design has been registered (let alone certified and published) it will no longer be considered worth copying. In these sectors, a 10 year period of protection is unnecessary and may even deter innovation.

Without a design registration, it is likely to be difficult for these designers to protect their original designs against counterfeiters and copyists. Firstly, the current copyright/design overlap provisions ensure that it is only a work of artistic craftsmanship that benefits from copyright protection when applied industrially, and case law has many examples of designs failing to satisfy the high threshold of artistic craftsmanship.¹¹ Secondly, while the Australian courts are prepared in a small minority of cases to protect product designs with secondary meaning under section 18 of the Australian Consumer

¹⁰ Explanatory Memorandum to the Designs Bill 2003, para 7.

¹¹ See, for example, *Cuisenaire v Reed* [1963] VR 719; *Sheldon v Metrokane* (2004) 61 IPR 1; *Burge v Swarbrick* (2007) 232 CLR 336.

Law¹² or the tort of passing off, these causes of action require significant evidence of an established reputation in the product design that provides a link to the manufacturer, and in virtually all cases, a copy will not be actionable under these laws provided it bears distinguishing branding.¹³ This state of the law leaves designers of new products without recourse in the absence of a design registration.

This gap in protection is an increasing concern in the digital economy and the era of 3D printing, where even using conventional manufacturing third parties can bring a copycat product to market within days of viewing an image of the original on the internet, and where copying can be increasingly diffused rather than centralised in large manufacturing facilities. The disparity is of particular concern to small and medium design businesses, who lack the infrastructure required to bring a product to market as quickly as the large multinational brands that operate a 'fast fashion' business model. It may ultimately discourage small international designers from selling their products in Australia.

Introducing an Australian unregistered design right is an effective way of addressing these concerns by providing protection (especially to smaller designers in fast-moving design industries) when a new product that has turned out to be highly successful is copied by a third party. We would expect that such a regime would support innovation by:

- encouraging investment in new designs, even when they are only expected to have a short commercial lifespan, by ensuring that recourse is available if the design turns out to be highly successful and is copied; and
- protecting these designs, indirectly encouraging businesses that are based on copying to create new designs themselves (even if these innovations are incremental). This regime would be complementary to, and would support the existing registered design system by allowing designers to choose the most appropriate level of protection for their needs.

It is worth noting that, following the recent UK design law consultation, the UK Government has concluded that it is desirable to retain the unregistered design right for similar reasons.¹⁴ In particular, the UK Government observed in its response to the consultation that "[n]o evidence was provided showing that the scope of protection afforded by the unregistered design right had been used to prevent others from establishing new designs or that businesses had been deterred from launching designs as a result of being unsure whether infringing unregistered designs existed in the UK."¹⁵ This is particularly compelling given that designers working in the UK are required to navigate the parallel UK and EU registered and unregistered design systems.

Any concerns about the potential economic impact of an unregistered design right can be addressed by tailoring the features of the right accordingly. To maximise its benefits, we propose that the new Australian unregistered design right have the following features:

- as in the EU and the UK, the unregistered design right should not be a monopoly right. Rather, the designer should be required to establish that their design has been copied. This would act as a safeguard for independently arising designs while protecting the legitimate rights of designers, provided that the standard of evidence required to show copying is not unattainable

¹² *Bodum v DKSH Australia Pty Ltd* [2011] FCFCFA 98.

¹³ See *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191; *Dr Martens Australia Pty Ltd v Figgins Holdings Pty Ltd* (1999) 44 IPR 281; *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191; compare *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 and *Bodum v DKSH Australia Pty Limited* [2011] FCFCFA 98.

¹⁴ *Consultation on the Reform of the UK Designs Legal Framework, Government Response*, April 2013 at p13.

¹⁵ *Consultation on the Reform of the UK Designs Legal Framework, Government Response*, April 2013 at [26].

in practice. For example, in the UK a rebuttable inference of copying arises where the similarities between the two products call for an explanation;¹⁶

- a short term of protection, e.g. 3-5 years from the date the design was first embodied in a design document or an article was made to the design. The EU, for example, protects unregistered designs for 3 years from the date the design was first put on the market in the EU. Given that the intention is principally to give protection to designs with a shorter lifespan, this seems to be appropriate. For designs expected to be commercialised over the longer term, registration may be a more appropriate option, and the expense of registration is more likely to be justified for designs intended for long-term use. However, the UK unregistered design right commences from the end of the calendar year in which the design was first embodied in a design document or an article was made to the design, whichever is the earlier. This would appear to be an appropriate starting point for the right, as it would provide protection against any copying that may occur before the design is publicly disclosed;
- the scope of the unregistered design right should be clearly and precisely defined, to avoid creating unnecessary uncertainty for third parties faced with an infringement claim. We refer in this regard to the changes that the UK Government intends to make to clarify and limit the scope of the UK unregistered design right;¹⁷
- in order to provide maximum benefit to the Australian economy, the unregistered design right should be available to anyone who either lives in Australia, carries out business in Australia or markets articles made in the Australia to the design; and
- the legislation creating the unregistered design right should – as in the UK and the EU – contain detailed copyright-style provisions prescribing the key details of the right, including:
 - the exclusive rights conferred by the unregistered design;
 - who will be the first owner of the unregistered design right;
 - provisions allowing the design right to be assigned or licensed; and
 - provisions dealing with enforcement and remedies.

An unregistered design right with these features would be sufficiently clear and limited in scope to provide protection to designers (thereby encouraging innovation), without deterring the creation of new designs and design businesses.

It is important to acknowledge that the current Australian design protection scheme does not provide a system which provides an insufficient level of protection for protected designs. Rather, the design system has evolved in such a way that it provides no protection at all to a large number of designers.

(iv) 3D printing

ACIP's review concluded any modification of the design protection scheme in relation to 3D printing would be premature. Given the rapid development of 3D printing technology in both utility and cost

¹⁶ See, for example, *Kohler Mira Ltd v Bristol Group Ltd* [2013] EWPC 2, [39], where this test for infringement appears to have been effective in providing proportionate protection to the rights of the plaintiff designer.

¹⁷ See *Consultation on the Reform of the UK Designs Legal Framework, Government Response*, April 2013 at p 13-14.

efficiency and the rate of adoption in the marketplace, we submit this is an opportune time to review design protection as it applies to 3D copied.¹⁸

3D printing facilitates low-cost, extensive, diffuse, non-commercial, and multi-jurisdictional infringement of design rights. Given the diffuse nature of 3D printing, actions directed at the source of templates/plans such as Thingiverse (**Template Providers**) will be the only feasible means of preventing infringement. Action against each individual “printer” will not be commercially feasible, nor may it be possible if they are merely printing items for their own use rather than commercially applying the design. However, unlike the *Copyright Act 1968*, the *Designs Act 2003* does not provide for secondary/authorisation liability for infringement of a registered design. It follows that even if a design is registered, the design owner would need to prove the Template Provider was engaged in joint tortfeasorship with the “printer” of the infringing copies: *Louis Vuitton Malletier SA v Toea Pty Ltd* [2006] FCA 1443. Given the requirement for a “common design,” this is likely to be difficult if not impossible.

Similarly, a designer will not be able to rely on any copyright in the original plan from which their 3D article was created to commence proceedings for infringement based on the creation of a 3D printing plan through scanning of the original article, even if the two plans are otherwise identical, by reason of section 77A of the *Copyright Act* (**Indirect Plan to Plan Copying**). Additionally, if the design is not registered, the design will of course be completely unprotected in any case if it has been industrially applied due to the operation of the copyright/design overlap.

In short, the *Designs Act* is manifestly inadequate to cater for the challenge of 3D printing. It is anticipated that 3D printing will dramatically highlight the differences between:

- Australian law (particularly copyright restrictions on Indirect Plan to Plan Copying and the copyright/design overlap provisions); and
- overseas law (where copyright or unregistered design right protections may be available, and Indirect Plan to Plan Copying may also be actionable copyright infringement, as may subsequent uploads or downloads of the template from Template Providers).

Indeed, Template Providers such as Thingiverse appear to assume there will be protectable IP rights in uploaded content, when that does not appear to be the case under Australia law: see <http://www.thingiverse.com/legal/ip-policy>. As Australian law now stands, it is virtually inevitable that designers seeking to take coordinated actions to prevent wide-scale but diffuse infringements of their rights, including via Template Providers, in multiple jurisdictions will be without remedy in Australia but otherwise have access to protection elsewhere, including in Australia’s major trading partners such as the United States and European Union. Indeed, the seriously limited protection afforded to designs in Australia may actively promote piracy via 3D printing here. This is likely to reduce competition in the marketplace by reducing the number of local manufacturers and importers of legitimate goods to the detriment of consumers.

¹⁸ Household 3D printers are now available for around AUD\$1,000 so the legal framework that should be applied in this area needs to be reviewed now.

3 Impact of multilateral and bilateral agreements

It is important to bear in mind that the vast majority of Australia's IP arrangements are dictated by multilateral and bilateral agreements, including most significantly terms of protection and subject matter of protection, which are the primary means by which the economic impact of IP rights can otherwise be adjusted. For example, Article 7 of the Berne Convention and Article 9 of TRIPS set minimum protection periods for copyright which were raised by the US/Australia FTA. TRIPS Article 26 sets a minimum design registration term of 10 years. TRIPS Article 33 sets a minimum patent registration term at 20 years. Australian law already provides for the minimum protection periods permitted under these agreements for copyright, standard patents and designs. There is therefore very limited flexibility to adjust Australia's IP arrangements in the absence of substantial renegotiation of a number of treaties.

Yours faithfully
Gilbert + Tobin

Lisa Lennon
Partner

Lauren Eade
Lawyer